

OSAGE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

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Osage Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2005 Election)		
Jon Gisleson	President	2006
Herb Wright	Vice President	2006
Konnie Snider	Board Member	2007
Rae Anne Havig	Board Member	2005
Angela Nasstrom	Board Member	2005
Board of Education		
(After September 2005 Election)		
Jon Gisleson	President	2006
Herb Wright	Vice President	2006
Konnie Snider	Board Member	2007
Rae Anne Havig	Board Member	2008
Angela Nasstrom	Board Member	2008
School Officials		
Mr. Stephen Williams	Superintendent	2006
Sue Brandau	Board District Secretary	2006
Connie Jensen	District Treasurer	2006
Aaron Murphy	Attorney	2006



# **LINES MURPHY & COMPANY, P.L.C.**

Certified Public Accountants  
625 Main St.  
Osage, IA 50461-1307

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## **Independent Auditors' Report**

To the Board of Education of  
Osage Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Osage Community School District, Osage Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Osage Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2006 on our consideration of Osage Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of

management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Osage Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lines Murphy & Company, P.L.C.  
Osage, Iowa  
August 30, 2006

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Osage Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,418,921 in fiscal 2005 to \$7,713,551 in fiscal 2006, while General Fund expenditures increased from \$7,125,178 in fiscal 2005 to \$7,801,121 in fiscal 2006. The District's General Fund balance decreased from \$356,106 in fiscal 2005 to \$268,536 in fiscal 2006, a 24.6% decrease.
- The increase in General Fund revenues was attributable to an increase in state aid and taxes in fiscal 2006. The reason the General Fund balance decreased is because the increase in revenues did not keep pace with the increase in expenditures.
- An increase in interest rates, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone increasing from \$37,901 in fiscal 2005 to \$66,035 in fiscal 2006.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Osage Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Osage Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Osage Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

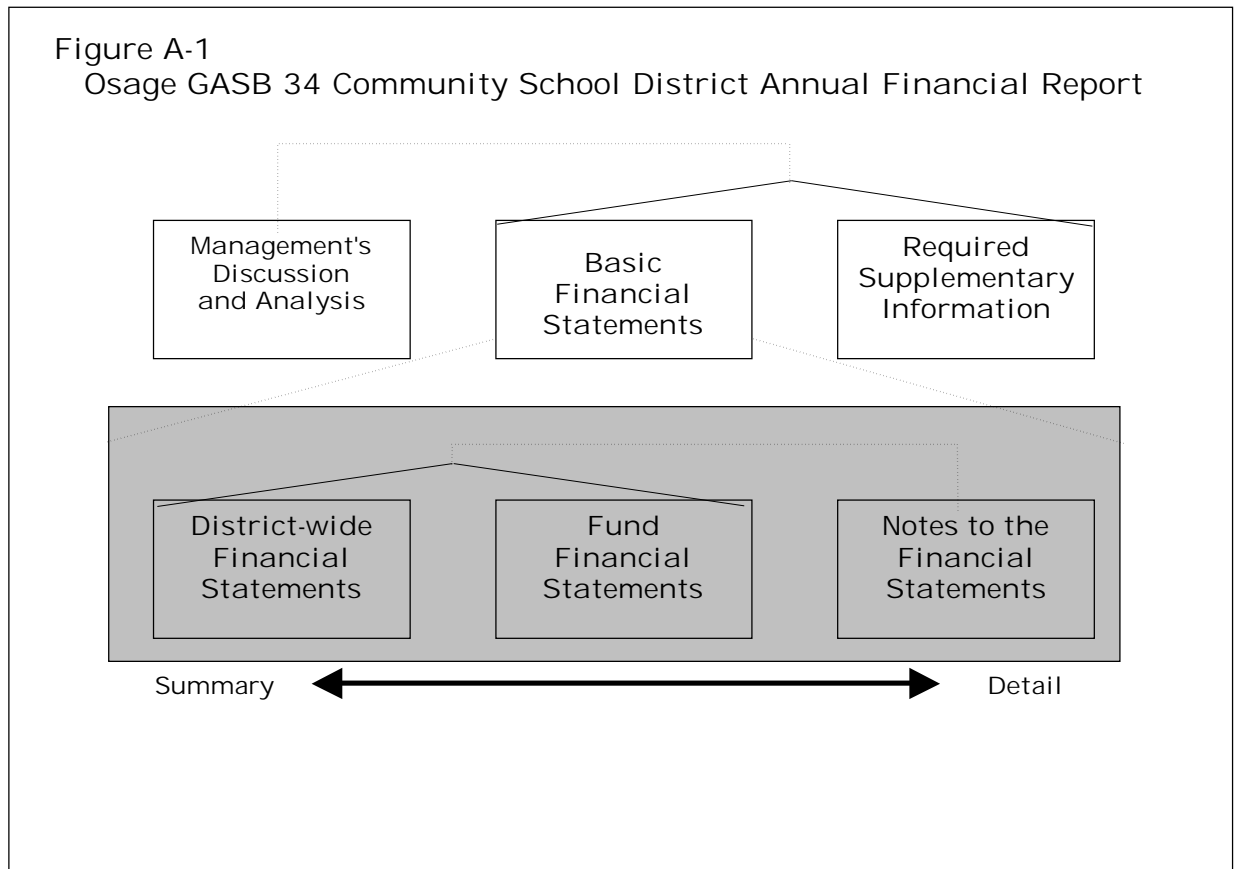


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one



way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.

- Agency Fund – This is a fund through which the District administers and accounts for certain insurance reimbursements and withholdings collected for District employees.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation's between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$ 5,954	\$ 4,784	\$ 35	\$ 39	\$ 5,989	\$ 4,823	24.2%
Capital assets	6,163	5,972	58	58	6,221	6,030	3.2%
Total assets	\$ 12,117	\$ 10,756	\$ 93	\$ 97	\$ 12,210	\$ 10,853	12.5%
Long-term liabilities	\$ 924	\$ 982	\$ -	\$ -	\$ 924	\$ 982	-5.9%
Other liabilities	5,161	4,057	4	1	5,165	4,058	27.3%
Total liabilities	\$ 6,085	\$ 5,039	\$ 4	\$ 1	\$ 6,089	\$ 5,040	20.8%
Net assets:							
Invested in capital assets, net of related debt	\$ 5,578	\$ 5,267	\$ 58	\$ 58	\$ 5,636	\$ 5,325	5.8%
Restricted	537	305	-	-	537	305	76.1%
Unrestricted	(83)	145	31	38	(52)	183	-128.4%
Total net assets	\$ 6,032	\$ 5,717	\$ 89	\$ 96	\$ 6,121	\$ 5,813	5.3%

The District's combined net assets increased by nearly 5.3%, or approximately \$315,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased to approximately \$537,000.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased to approximately \$(52,000).

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
Revenues:							
Program revenues:							
Charges for service	\$ 931	\$ 943	\$ 247	\$ 253	\$ 1,178	\$ 1,196	-2%
Operating grants, contributions and restricted intere	985	760	107	143	1,092	903	21%
General revenues:							
Property tax	2,843	2,532	-	-	2,843	2,532	12%
Local option sales and service tax	489	599	-	-	489	599	-18%
Unrestricted state grants	3,620	3,586	-	-	3,620	3,586	1%
Unrestricted investment earnings	107	74	-	-	107	74	45%
Other	89	114	-	-	89	114	-22%
Total revenues	<u>\$ 9,064</u>	<u>\$ 8,608</u>	<u>\$ 354</u>	<u>\$ 396</u>	<u>\$ 9,418</u>	<u>\$ 9,004</u>	<u>5%</u>
Program expenses:							
Governmental activities:							
Instruction	\$ 5,621	\$ 5,463	\$ -	\$ -	\$ 5,621	\$ 5,463	3%
Support services	2,462	2,294	-	-	2,462	2,294	7%
Non-instructional programs	-	2	361	393	361	395	-9%
Other expenses	666	504	-	-	666	504	32%
Total expenses	<u>\$ 8,749</u>	<u>\$ 8,263</u>	<u>\$ 361</u>	<u>\$ 393</u>	<u>\$ 9,110</u>	<u>\$ 8,656</u>	<u>5%</u>
Change in net assets	<u>\$ 315</u>	<u>\$ 345</u>	<u>\$ (7)</u>	<u>\$ 3</u>	<u>\$ 308</u>	<u>\$ 348</u>	<u>-11%</u>

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 94% of the total expenses.

#### Governmental Activities

Revenues for governmental activities were approximately \$9,064,000 and expenses were approximately \$8,748,000. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A - 5 Total and Net Cost of Governmental Activities (Expressed in Thousands)				
	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction	\$ 5,621	\$ 5,463	\$ 4,565	\$ 4,583
Support services	2,462	2,294	1,901	1,711
Non-instructional programs	-	2	-	2
Other expenses	666	504	367	210
Totals	<u>\$ 8,749</u>	<u>\$ 8,263</u>	<u>\$ 6,833</u>	<u>\$ 6,506</u>

- The cost financed by users of the District's programs was \$930,997.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$984,932.
- The net cost of governmental activities was financed with \$3,331,449 in property and other taxes and \$3,620,132 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$354,476 and expenses were \$361,549. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2006, the District increased meal prices to cover costs.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Osage Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$797,783, above last year's ending fund balances of \$729,398. The primary reason for the increase in combined fund balances in fiscal 2006 is due to more funding from the state.

### Governmental Fund Highlights

- The District's growing General Fund financial position is the result of many factors. Growth during the year in taxes and state funding resulted in an increase in revenues.
- The General Fund balance decreased from \$356,106 to \$268,536, due in part to higher expenses in instruction.
- The Local Option Sales Tax Fund balance increased from \$114,311 in fiscal 2005 to \$192,915 in fiscal 2006. While revenues increased by approximately \$143,000, the District spent \$192,915 on capital assets. However, the fund balance increased by approximately \$79,000.

### Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$96,294 at June 30, 2005 to \$89,221 at June 30, 2006, representing a decrease of approximately 7.4%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Osage Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with instruction.

The District's receipts were \$304,116 more than budgeted receipts, a variance of 3.3%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were \$458,469 less than budgeted, a variance of 5%. The most significant variance resulted from the district not expending as much as anticipated in instruction.

Disbursements did not exceed the certified budget during fiscal year 2006.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$6.16 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 1.5% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$348,454.

The original cost of the District's capital assets was \$10.3 million. Governmental funds account for \$10.1 million, with the remainder of \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. The District's building category totaled \$7,036,950 at June 30, 2006, compared to \$6,830,047 reported at June 30, 2005. This significant increase resulted from the replacement of the middle school roof.

Figure A-6  
Capital Assets, net of Depreciation  
(expressed in thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$ 422	\$ 422	\$ -	\$ -	\$ 422	\$ 422	0.0%
Buildings	4,787	4,776	-	-	4,787	4,776	0.2%
Furniture and equipment	954	774	58	58	1,012	832	21.6%
Totals	<u>\$ 6,163</u>	<u>\$ 5,972</u>	<u>\$ 58</u>	<u>\$ 58</u>	<u>\$ 6,221</u>	<u>\$ 6,030</u>	<u>3.2%</u>

### Long-Term Debt

At June 30, 2006, the District had \$923,734 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 5.9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7 Outstanding Long-Term Obligations (expressed in thousands)			
	Total District		Total Change
	June 30,		June 30,
	2006	2005	2005-2006
General obligation bonds	\$ 585	\$ 705	-17.0%
Early retirement	339	277	22.4%
Totals	<u>\$ 924</u>	<u>\$ 982</u>	<u>-5.9%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect it's financial health in the future.

- The District has evaluated the physical condition of the buildings and grounds and has prioritized facility upkeep needs. Most recently the District has started replacing the Lincoln Elementary roof and replaced the lights at the baseball field and will continue making repairs with the funds raised by the Local Option Sales Tax.
- Although the District's enrollment stabilized during 2002-2003 and 2003-2004 school years, declining enrollment should continue in the future. Declining enrollment for the last three school years and on into the future will have an adverse effect on the District's General Fund budget and the related fund balances.
- The District has evaluated the condition of its transportation fleet and determined due to safety precautions, one bus a year must be replaced at a cost of approximately \$66,500. To pay for the needed buses, the District will use the Physical Plant and Equipment Levy Fund.
- The technology needs of the District are reviewed annually. The District will spend approximately \$50,000 a year from the Physical Plant and Equipment Levy, Title V, and the General Fund to purchase the necessary equipment and software. Unfortunately this amount will be unable to keep up with district needs.
- The District will negotiate new master contract agreements with the Osage Education Association and the Osage Educational Services Association during fiscal 2007. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sue Brandau, Board Secretary, Osage Community School District, 820 Sawyer Drive, Osage, Iowa 50461.

## Osage Community School District

## Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total	Nonmajor Discretely Presented Component Unit
<b>Assets</b>				
Cash and cash equivalents:				
ISCAP	\$ 1,327,995	\$ -	\$ 1,327,995	\$ -
Other	1,481,306	19,078	1,500,384	202,208
Receivables:				
Property tax:				
Delinquent	42,833	-	42,833	-
Succeeding year	2,821,568	-	2,821,568	-
Other	241,808	-	241,808	-
Accrued interest:				
ISCAP	7,581	-	7,581	-
Other	11,789	-	11,789	-
Due from other governments	8,554	-	8,554	-
Inventories	8,132	15,916	24,048	-
Other current assets	2,129	-	2,129	-
Capital assets, net of accumulated depreciation	6,163,028	58,294	6,221,322	-
<b>Total assets</b>	<b>\$ 12,116,723</b>	<b>\$ 93,288</b>	<b>\$ 12,210,011</b>	<b>\$ 202,208</b>
<b>Liabilities</b>				
Accounts payable	\$ 93,616	\$ -	\$ 93,616	\$ -
Accrued interest payable	5,032	-	5,032	-
Salaries and benefits payable	886,263	4,067	890,330	-
Deferred revenue - succeeding year property tax	2,821,568	-	2,821,568	-
Deferred revenue - other	4,938	-	4,938	-
ISCAP warrants payable	1,328,000	-	1,328,000	-
ISCAP accrued interest payable	7,068	-	7,068	-
Other current liabilities	14,459	-	14,459	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	140,000	-	140,000	-
Early retirement	60,816	-	60,816	-
Portion due after one year:				
General obligation bonds payable	445,000	-	445,000	-
Early retirement	277,918	-	277,918	-
<b>Total liabilities</b>	<b>\$ 6,084,678</b>	<b>\$ 4,067</b>	<b>\$ 6,088,745</b>	<b>\$ -</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	\$ 5,578,028	\$ 58,294	\$ 5,636,322	\$ -
Restricted for:				
Management levy	16,352	-	16,352	-
Physical plant and equipment levy	74,267	-	74,267	-
Other special revenue purposes	427,235	-	427,235	202,208
Debt service	11,363	-	11,363	-
Inventories	8,132	-	8,132	-
Unrestricted	(83,332)	30,927	(52,405)	-
<b>Total net assets</b>	<b>\$ 6,032,045</b>	<b>\$ 89,221</b>	<b>\$ 6,121,266</b>	<b>\$ 202,208</b>

See notes to financial statements.

Osage Community School District

Statement of Activities

Year ended June 30, 2006

	<u>Expenses</u>
<u>Functions/Programs</u>	
Governmental activities:	
Instruction:	
Regular instruction	\$ 3,157,391
Special instruction	1,166,899
Other instruction	<u>1,296,333</u>
	<u>\$ 5,620,623</u>
Support services:	
Student services	\$ 320,303
Instructional staff services	294,270
Administration services	782,292
Operation and maintenance of plant services	644,000
Transportation services	<u>421,512</u>
	<u>\$ 2,462,377</u>
Other expenditures:	
Facilities acquisition	\$ 326,356
Long-term debt interest	40,208
AEA flowthrough	<u>298,926</u>
	<u>\$ 665,490</u>
Total governmental activities	\$ 8,748,490
Business type activities:	
Non-instructional programs:	
Food service operations	<u>\$ 361,549</u>
Total	<u><u>\$ 9,110,039</u></u>
Osage Education Foundation	<u>\$ 22,916</u>
General Revenues:	
Property tax levied for:	
General purposes	
Debt service	
Capital outlay	
Local option sales and services tax	
Unrestricted state grants	
Unrestricted investment earnings	
Loss on disposal of capital assets	
Other	
Total general revenues	
Change in net assets	
Net assets beginning of year	
Net assets end of year	

See notes to financial statements.



Exhibit B

Net (Expense) Revenue and Changes in Net Assets						Nonmajor Discretely Presented Component Unit
Program Revenues						
Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	
\$ 147,190	\$ 510,698	\$ -	\$ (2,499,503)	\$ -	\$ (2,499,503)	\$ -
271,331	1,305	-	(894,263)	-	(894,263)	-
51,962	73,389	-	(1,170,982)	-	(1,170,982)	-
<u>\$ 470,483</u>	<u>\$ 585,392</u>	<u>\$ -</u>	<u>\$ (4,564,748)</u>	<u>\$ -</u>	<u>\$ (4,564,748)</u>	<u>\$ -</u>
\$ 457,879	\$ 85,885	\$ -	\$ 223,461	\$ -	\$ 223,461	\$ -
2,635	-	-	(291,635)	-	(291,635)	-
-	-	-	(782,292)	-	(782,292)	-
-	-	-	(644,000)	-	(644,000)	-
-	14,729	-	(406,783)	-	(406,783)	-
<u>\$ 460,514</u>	<u>\$ 100,614</u>	<u>\$ -</u>	<u>\$ (1,901,249)</u>	<u>\$ -</u>	<u>\$ (1,901,249)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (326,356)	\$ -	\$ (326,356)	\$ -
-	-	-	(40,208)	-	(40,208)	-
-	298,926	-	-	-	-	-
<u>\$ -</u>	<u>\$ 298,926</u>	<u>\$ -</u>	<u>\$ (366,564)</u>	<u>\$ -</u>	<u>\$ (366,564)</u>	<u>\$ -</u>
\$ 930,997	\$ 984,932	\$ -	\$ (6,832,561)	\$ -	\$ (6,832,561)	\$ -
<u>\$ 246,726</u>	<u>\$ 107,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,492)</u>	<u>\$ (7,492)</u>	<u>\$ -</u>
<u>\$ 1,177,723</u>	<u>\$ 1,092,263</u>	<u>\$ -</u>	<u>\$ (6,832,561)</u>	<u>\$ (7,492)</u>	<u>\$ (6,840,053)</u>	<u>\$ -</u>
<u>\$ 36,855</u>	<u>\$ 87,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,966</u>
			\$ 2,749,831	\$ -	\$ 2,749,831	\$ -
			17,871	-	17,871	-
			75,274	-	75,274	-
			488,563	-	488,563	-
			3,620,132	-	3,620,132	-
			106,734	419	107,153	1,626
			(1,752)	-	(1,752)	-
			91,338	-	91,338	8,035
			<u>\$ 7,147,991</u>	<u>\$ 419</u>	<u>\$ 7,148,410</u>	<u>\$ 9,661</u>
			\$ 315,430	\$ (7,073)	\$ 308,357	\$ 110,627
			5,716,615	96,294	5,812,909	91,581
			<u>\$ 6,032,045</u>	<u>\$ 89,221</u>	<u>\$ 6,121,266</u>	<u>\$ 202,208</u>



## Osage Community School District

Balance Sheet  
Governmental Funds

June 30, 2006

	General	Nonmajor Funds	Total
<b>Assets</b>			
Cash and pooled investments:			
ISCAP	\$ 1,327,995	\$ -	\$ 1,327,995
Other	991,053	490,253	1,481,306
Receivables:			
Property tax:			
Delinquent	39,811	3,022	42,833
Succeeding year	2,605,687	215,881	2,821,568
Other	194,799	47,009	241,808
Accrued interest:			
ISCAP	7,581	-	7,581
Other	-	11,789	11,789
Due from other governments	8,554	-	8,554
Inventories	8,132	-	8,132
Other current assets	-	2,129	2,129
<b>Total assets</b>	<b>\$ 5,183,612</b>	<b>\$ 770,083</b>	<b>\$ 5,953,695</b>
<b>Liabilities and fund balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 72,520	\$ 21,096	\$ 93,616
Salaries and benefits payable	882,404	3,859	886,263
Deferred revenue:			
Succeeding year property tax	2,605,687	215,881	2,821,568
Other	4,938	-	4,938
ISCAP warrants payable	1,328,000	-	1,328,000
ISCAP accrued interest payable	7,068	-	7,068
Other current liabilities	14,459	-	14,459
<b>Total liabilities</b>	<b>\$ 4,915,076</b>	<b>\$ 240,836</b>	<b>\$ 5,155,912</b>
<b>Fund balances:</b>			
Reserved for debt service	\$ -	\$ 11,363	\$ 11,363
Reserved for inventories	8,132	-	8,132
Unreserved	260,404	517,884	778,288
<b>Total fund balances</b>	<b>\$ 268,536</b>	<b>\$ 529,247</b>	<b>\$ 797,783</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,183,612</b>	<b>\$ 770,083</b>	<b>\$ 5,953,695</b>

See notes to financial statements.

Exhibit D

Osage Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
to the Statement of Net Assets

June 30, 2006

Total fund balances of governmental funds (page 16)	\$	797,783
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Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		6,163,028
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(5,032)
--	--	---------

Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		(923,734)
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Net assets of governmental activities (page 13)	\$	<u>6,032,045</u>
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See notes to financial statements.

## Osage Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2006

	General	Nonmajor funds	Total
Revenues:			
Local sources:			
Local tax	\$ 2,579,217	\$ 749,819	\$ 3,329,036
Tuition	356,273	-	356,273
Other	205,033	600,241	805,274
Intermediate sources	60,393	-	60,393
State sources	4,236,427	177	4,236,604
Federal sources	276,208	-	276,208
Total revenues	<u>\$ 7,713,551</u>	<u>\$ 1,350,237</u>	<u>\$ 9,063,788</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 3,119,693	\$ 127,509	\$ 3,247,202
Special instruction	1,166,899	-	1,166,899
Other instruction	917,372	378,961	1,296,333
	<u>\$ 5,203,964</u>	<u>\$ 506,470</u>	<u>\$ 5,710,434</u>
Support services:			
Student services	\$ 277,336	\$ -	\$ 277,336
Instructional staff services	294,270	-	294,270
Administration services	762,714	36,767	799,481
Operation and maintenance of plant services	587,255	44,428	631,683
Transportation services	376,656	92,795	469,451
	<u>\$ 2,298,231</u>	<u>\$ 173,990</u>	<u>\$ 2,472,221</u>
Other expenditures:			
Facilities acquisition	\$ -	\$ 347,813	\$ 347,813
Long-term debt:			
Principal	-	130,000	130,000
Interest and fiscal charges	-	37,893	37,893
AEA flowthrough	298,926	-	298,926
	<u>\$ 298,926</u>	<u>\$ 515,706</u>	<u>\$ 814,632</u>
Total expenditures	<u>\$ 7,801,121</u>	<u>\$ 1,196,166</u>	<u>\$ 8,997,287</u>
Excess of revenues over expenditures	<u>\$ (87,570)</u>	<u>\$ 154,071</u>	<u>\$ 66,501</u>
Other financing sources:			
Refunding proceeds	\$ -	\$ 1,884	\$ 1,884
Operating transfers in	-	150,000	150,000
Operating transfers out	-	(150,000)	(150,000)
Total other financing sources	<u>\$ -</u>	<u>\$ 1,884</u>	<u>\$ 1,884</u>
Net change in fund balances	<u>\$ (87,570)</u>	<u>\$ 155,955</u>	<u>\$ 68,385</u>
Fund balances beginning of year	<u>356,106</u>	<u>373,292</u>	<u>729,398</u>
Fund balances end of year	<u>\$ 268,536</u>	<u>\$ 529,247</u>	<u>\$ 797,783</u>

See notes to financial statements.

Osage Community School District

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
to the Statement of Activities

Year ended June 30, 2006

Net change in fund balances - total governmental funds (page 18) \$ 68,385

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 531,145	
Depreciation expense	<u>(338,510)</u>	192,635

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$ (585,000)	
Repaid	<u>705,000</u>	120,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (2,315)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ (61,523)	
Loss on disposal of Capital Assets	<u>(1,752)</u>	<u>(63,275)</u>

Change in net assets of governmental activities (page 15) \$ 315,430

See notes to financial statements.

## Osage Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2006

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 19,078
Inventories	15,916
Capital assets, net of accumulated depreciation	<u>58,294</u>
Total assets	<u>\$ 93,288</u>
Liabilities	
Salaries and benefits payable	<u>\$ 4,067</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 58,294
Unrestricted	<u>30,927</u>
Total net assets	<u><u>\$ 89,221</u></u>

See notes to financial statements.

## Osage Community School District

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2006

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 246,726</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	\$ 132,073
Benefits	66,918
Purchased services	2,461
Supplies	139,359
Depreciation	9,944
Other	<u>10,794</u>
Total operating expenses	<u>\$ 361,549</u>
Operating loss	<u>\$ (114,823)</u>
Non-operating revenues:	
State sources	\$ 5,114
Federal sources	102,217
Interest income	419
Total non-operating revenues	<u>\$ 107,750</u>
Change in net assets	\$ (7,073)
Net assets beginning of year	<u>96,294</u>
Net assets end of year	<u><u>\$ 89,221</u></u>

See notes to financial statements.



Exhibit I

## Osage Community School District

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 246,726
Cash paid to employees for services	(195,799)
Cash paid to suppliers for goods or services	(119,657)
Net cash used by operating activities	<u>\$ (68,730)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 5,114
Federal grants received	70,972
Net cash provided by non-capital financing activities	<u>\$ 76,086</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ (10,406)</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 419</u>
Net decrease in cash and cash equivalents	(2,631)
Cash and cash equivalents beginning of year	<u>21,709</u>
Cash and cash equivalents end of year	<u><u>\$ 19,078</u></u>

Osage Community School District

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2006

	<u>School</u> <u>Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (114,823)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	31,245
Depreciation	9,944
(Increase) in inventories	1,712
Increase in salaries and benefits payable	3,192
Net cash used by operating activities	<u>\$ (68,730)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2006, the District received \$29,590 of federal commodities.	

See notes to financial statements.

Exhibit J

Osage Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2006

		Private Purpose Trusts				
	Agency Fund	Raub Ed Enhancement	Raub Scholarship	Alchon Scholarship	Alverda Neuwahner Scholarship	Total Private Purpose Trusts
Assets						
Cash and pooled investments	\$ 9,650	\$ 274,300	\$ 500,000	\$ 35,000	\$ 2,000	\$ 811,300
Total assets	\$ 9,650	\$ 274,300	\$ 500,000	\$ 35,000	\$ 2,000	\$ 811,300
Net assets						
Unreserved	\$ 9,650	\$ -	\$ -	\$ -	\$ -	\$ -
Designated for scholarships	-	274,300	500,000	35,000	2,000	811,300
Total net assets	\$ 9,650	\$ 274,300	\$ 500,000	\$ 35,000	\$ 2,000	\$ 811,300

See notes to financial statements.

Exhibit K

Osage Community School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year ended June 30, 2006

		Private Purpose Trusts				
	Agency Fund	Raub Ed Enhancement	Raub Scholarship	Alchon Scholarship	Alverda Neuwohner Scholarship	Total Private Purpose Trusts
Additions:						
Local sources:						
Other sales of services	\$ 52,295	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:						
Support services:						
Other operations	\$ 54,007	\$ -	\$ -	\$ -	\$ -	\$ -
Change in net assets	\$ (1,712)	\$ -	\$ -	\$ -	\$ -	\$ -
Net assets beginning of year	11,362	274,300	500,000	35,000	2,000	811,300
Net assets end of year	<u>\$ 9,650</u>	<u>\$ 274,300</u>	<u>\$ 500,000</u>	<u>\$ 35,000</u>	<u>\$ 2,000</u>	<u>\$ 811,300</u>

See notes to financial statements.

## Osage Community School District

### Notes to Financial Statements

June 30, 2006

#### (1) Summary of Significant Accounting Policies

Osage Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Osage, Orchard, and Mitchell, Iowa, and the predominate agricultural territory in Mitchell and Floyd Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Osage Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

These government financial statements present the Osage Community School District (the primary government) and the Osage Education Foundation (its component unit). The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

##### Discretely Presented Component Unit

The Osage Education Foundation is presented in a separate column to emphasize that it is a legally separate entity, but is financially accountable to the District, or whose relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mitchell County Assessor's Conference Board.

## B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Funds are used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements:



Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005

through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as

well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees must use vacation time by fiscal year end and accumulate a limited amount of earned but unused sick leave hours. Sick leave is accrued at 15 days per year to a maximum of 120 days. Sick leave time is cancelled if an employee leaves his or her employment with the district. Therefore, there is no accrual at June 30, 2006.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted.

#### (2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District's investments consisted of certificates of deposit.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Local Option Sales Tax	<u>\$ 150,000</u>
Total		<u>\$ 150,000</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-2006B	1/26/06	1/26/07	\$ 359,249	\$ 7,280	\$ 358,000	\$ 7,068
2006-2007A	6/28/06	6/28/07	968,652	301	970,000	-
Total			<u>\$ 1,327,901</u>	<u>\$ 7,581</u>	<u>\$ 1,328,000</u>	<u>\$ 7,068</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-2006B	\$ -	\$ 50,000	\$ 50,000	\$ -
Total	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 422,000	\$ -	\$ -	\$ 422,000
Total capital assets not being depreciated	\$ 422,000	\$ -	\$ -	\$ 422,000
Capital assets being depreciated:				
Buildings	\$ 6,830,047	\$ 206,903	\$ -	\$ 7,036,950
Furniture and equipment	2,418,842	324,242	(43,809)	2,699,275
Total capital assets being depreciated	\$ 9,248,889	\$ 531,145	\$ (43,809)	\$ 9,736,225
Less accumulated depreciation for:				
Buildings	\$ 2,054,588	\$ 195,363	\$ -	\$ 2,249,951
Furniture and equipment	1,644,156	143,147	(42,057)	1,745,246
Total accumulated depreciation	\$ 3,698,744	\$ 338,510	\$ (42,057)	\$ 3,995,197
Total capital assets being depreciated, net	\$ 5,550,145	\$ 192,635	\$ (1,752)	\$ 5,741,028
Governmental activities capital assets, net	\$ 5,972,145	\$ 192,635	\$ (1,752)	\$ 6,163,028
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$146,743	\$ 10,406	\$ -	\$157,149
Less accumulated depreciation	88,911	9,944	-	98,855
Business type activities capital assets, net	\$ 57,832	\$ 462	\$ -	\$ 58,294
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instruction:				\$ 25,400
Regular				
Support services:				55,134
Pupil				196,395
Administration				12,317
Operation and maintenance of plant				49,264
Transportation				
Total depreciation expense - governmental activities				\$ 338,510
Business type activities:				
Food service operations				\$ 9,944

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 705,000	\$ 585,000	\$ 705,000	\$ 585,000	\$ 140,000
Early retirement	277,211	117,960	56,437	338,734	60,816
Total	<u>\$ 982,211</u>	<u>\$ 702,960</u>	<u>\$ 761,437</u>	<u>\$ 923,734</u>	<u>\$ 200,816</u>

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-five and must have completed fifteen years of continuous service to the District, except for administrators who must have completed ten years. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are equal to a cash payment equal to the employee's accumulated sick leave plus 40% of the employee's annual salary. Early retirement expenditures for the year ended June 30, 2006 totaled \$56,437. The District has decided not to offer early retirement on an ongoing basis in future years.

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of April 1, 1996	
		Principal	Interest
2007	4.95%	\$ 140,000	\$ 23,896
2008	5.05%	145,000	15,653
2009	5.15%	145,000	10,577
2010	5.25%	155,000	5,503
Total		<u>\$ 585,000</u>	<u>\$ 55,629</u>

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$272,762, \$270,450 and \$234,354, respectively, equal to the required contributions for each year.

(8) Risk Management

Osage Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$298,926 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Contractual Commitments

The District has entered into contracts totaling \$257,025 for the construction of new roofs and various other remodeling projects. As of June 30, 2006, costs of \$217,198 had been incurred against the contract. The balance of \$39,827 remaining at June 30, 2006 will be paid as work on the project progresses.

Osage Community School District

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 4,459,785	\$ 247,145
Intermediate sources	60,393	-
State sources	4,261,312	5,114
Federal sources	276,208	102,217
Total receipts	<u>\$ 9,057,698</u>	<u>\$ 354,476</u>
Disbursements:		
Instruction	\$ 5,661,072	\$ -
Support services	2,436,110	-
Non-instructional programs	-	357,107
Other expenditures	811,126	-
Total disbursements	<u>\$ 8,908,308</u>	<u>\$ 357,107</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 149,390	\$ (2,631)
Other financing sources, net	<u>1,884</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 151,274	\$ (2,631)
Balances beginning of year	<u>1,330,032</u>	<u>21,709</u>
Balances end of year	<u><u>\$ 1,481,306</u></u>	<u><u>\$ 19,078</u></u>

See accompanying independent auditors' report.



Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 4,706,930	\$ 4,479,708	\$ 4,479,708	\$ 227,222
60,393	-	-	60,393
4,266,426	4,252,625	4,252,625	13,801
378,425	375,725	375,725	2,700
<u>\$ 9,412,174</u>	<u>\$ 9,108,058</u>	<u>\$ 9,108,058</u>	<u>\$ 304,116</u>
\$ 5,661,072	\$ 5,742,316	\$ 5,999,198	\$ 338,126
2,436,110	2,440,742	2,440,742	4,632
357,107	414,607	414,607	57,500
811,126	869,337	869,337	58,211
<u>\$ 9,265,415</u>	<u>\$ 9,467,002</u>	<u>\$ 9,723,884</u>	<u>\$ 458,469</u>
\$ 146,759	\$ (358,944)	\$ (615,826)	\$ 762,585
<u>1,884</u>	<u>-</u>	<u>-</u>	<u>1,884</u>
\$ 148,643	\$ (358,944)	\$ (615,826)	\$ 764,469
<u>1,351,741</u>	<u>1,570,684</u>	<u>1,570,684</u>	<u>1,185,897</u>
<u>\$ 1,500,384</u>	<u>\$ 1,211,740</u>	<u>\$ 954,858</u>	<u>\$ 1,950,366</u>

Osage Community School District  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,057,698	\$ 6,090	\$ 9,063,788
Expenditures	8,908,308	88,979	8,997,287
Net	\$ 149,390	\$ (82,889)	\$ 66,501
Other financing sources, net	1,884	-	1,884
Beginning fund balances	1,330,032	(600,634)	729,398
Ending fund balances	<u>\$ 1,481,306</u>	<u>\$ (683,523)</u>	<u>\$ 797,783</u>

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 354,476	\$ -	\$ 354,476
Expenses	357,107	4,442	361,549
Net	\$ (2,631)	\$ (4,442)	\$ (7,073)
Other financing sources, net	-	-	-
Beginning net assets	21,709	74,585	96,294
Ending net assets	<u>\$ 19,078</u>	<u>\$ 70,143</u>	<u>\$ 89,221</u>

See accompanying independent auditors' report.

Osage Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$256,882.

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted.

Osage Community School District

Combining Balance Sheet  
Nonmajor Funds

June 30, 2006

				Special
	Manage- ment Levy	Student Activity	Local Option Sales Tax	Physical Plant and Equipment Levy
<b>Assets</b>				
Cash and pooled investments	\$ 19,492	\$ 179,885	\$ 159,491	\$ 74,183
Receivables:				
Property tax:				
Delinquent	2,667	-	-	84
Succeeding year	193,955	-	-	7,827
Other	428	-	46,581	-
Accrued interest	-	316	-	-
Other current assets	-	2,129	-	-
Total assets	<u>\$ 216,542</u>	<u>\$ 182,330</u>	<u>\$ 206,072</u>	<u>\$ 82,094</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 2,376	\$ 5,563	\$ 13,157	\$ -
Salaries and benefits payable	3,859	-	-	-
Deferred revenue:				
Succeeding year property tax	193,955	-	-	7,827
Total liabilities	<u>\$ 200,190</u>	<u>\$ 5,563</u>	<u>\$ 13,157</u>	<u>\$ 7,827</u>
Fund balances:				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Unreserved fund balances	16,352	176,767	192,915	74,267
Total fund balances	<u>\$ 16,352</u>	<u>\$ 176,767</u>	<u>\$ 192,915</u>	<u>\$ 74,267</u>
Total liabilities and fund balances	<u>\$ 216,542</u>	<u>\$ 182,330</u>	<u>\$ 206,072</u>	<u>\$ 82,094</u>

See accompanying independent auditors' report.

Schedule 1

Revenue						
Raub Ed Enhance- ment	Raub Scholar- ship	Alverda Neuwohner Scholar- ship	Cindy Werner Weigant Scholarship	Heiden Scholar- ship	Debt Service	Total
\$ 31,179	\$ 8,132	\$ 86	\$ 738	\$ 5,975	\$ 11,092	\$ 490,253
-	-	-	-	-	271	3,022
-	-	-	-	-	14,099	215,881
-	-	-	-	-	-	47,009
5,443	5,995	22	-	13	-	11,789
-	-	-	-	-	-	2,129
<u>\$ 36,622</u>	<u>\$ 14,127</u>	<u>\$ 108</u>	<u>\$ 738</u>	<u>\$ 5,988</u>	<u>\$ 25,462</u>	<u>\$ 770,083</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,096
-	-	-	-	-	-	3,859
-	-	-	-	-	14,099	215,881
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,099</u>	<u>\$ 240,836</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,363	\$ 11,363
36,622	14,127	108	738	5,988	-	517,884
<u>\$ 36,622</u>	<u>\$ 14,127</u>	<u>\$ 108</u>	<u>\$ 738</u>	<u>\$ 5,988</u>	<u>\$ 11,363</u>	<u>\$ 529,247</u>
<u>\$ 36,622</u>	<u>\$ 14,127</u>	<u>\$ 108</u>	<u>\$ 738</u>	<u>\$ 5,988</u>	<u>\$ 25,462</u>	<u>\$ 770,083</u>

Osage Community School District

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Funds

Year ended June 30, 2006

	Manage- ment Levy	Student Activity	Local Option Sales Tax	Special Physical Plant and Equipment Levy
Revenues:				
Local sources:				
Local tax	\$ 168,132	\$ -	\$ 488,563	\$ 75,269
Other	9,567	474,249	85,933	10,030
State sources	156	-	-	5
Total revenues	<u>\$ 177,855</u>	<u>\$ 474,249</u>	<u>\$ 574,496</u>	<u>\$ 85,304</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 82,630	\$ -	\$ -	\$ 618
Other instruction	-	378,961	-	-
Support services:				
Administration services	17,104	-	-	19,663
Operation and maintenance of plant services	44,428	-	-	-
Transportation	14,175	-	-	78,620
Other expenditures:				
Facilities acquisition	-	-	345,892	1,921
Long-term debt:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>\$ 158,337</u>	<u>\$ 378,961</u>	<u>\$ 345,892</u>	<u>\$ 100,822</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 19,518</u>	<u>\$ 95,288</u>	<u>\$ 228,604</u>	<u>\$ (15,518)</u>
Other financing sources:				
Bond proceeds	\$ -	\$ -	\$ -	\$ -
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(150,000)	-
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ -</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 19,518</u>	<u>\$ 95,288</u>	<u>\$ 78,604</u>	<u>\$ (15,518)</u>
Fund balances beginning of year	<u>(3,166)</u>	<u>81,479</u>	<u>114,311</u>	<u>89,785</u>
Fund balances end of year	<u>\$ 16,352</u>	<u>\$ 176,767</u>	<u>\$ 192,915</u>	<u>\$ 74,267</u>

See accompanying independent auditors' report.

Schedule 2

Revenue						
Raub Ed Enhance- ment	Raub Scholar- ship	Alverda Neuwohner Scholar- ship	Cindy Werner Weigant Scholarship	Heiden Scholar- ship	Debt Service	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,855	\$ 749,819
12,748	7,390	74	8	242	-	600,241
-	-	-	-	-	16	177
<u>\$ 12,748</u>	<u>\$ 7,390</u>	<u>\$ 74</u>	<u>\$ 8</u>	<u>\$ 242</u>	<u>\$ 17,871</u>	<u>\$ 1,350,237</u>
\$ 24,947	\$ 17,500	\$ 100	\$ 200	\$ 1,514	\$ -	\$ 127,509
-	-	-	-	-	-	378,961
-	-	-	-	-	-	36,767
-	-	-	-	-	-	44,428
-	-	-	-	-	-	92,795
-	-	-	-	-	-	347,813
-	-	-	-	-	-	-
-	-	-	-	-	130,000	130,000
-	-	-	-	-	37,893	37,893
<u>\$ 24,947</u>	<u>\$ 17,500</u>	<u>\$ 100</u>	<u>\$ 200</u>	<u>\$ 1,514</u>	<u>\$ 167,893</u>	<u>\$ 1,196,166</u>
<u>\$ (12,199)</u>	<u>\$ (10,110)</u>	<u>\$ (26)</u>	<u>\$ (192)</u>	<u>\$ (1,272)</u>	<u>\$ (150,022)</u>	<u>\$ 154,071</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,884	\$ 1,884
-	-	-	-	-	150,000	150,000
-	-	-	-	-	-	(150,000)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,884</u>	<u>\$ 1,884</u>
\$ (12,199)	\$ (10,110)	\$ (26)	\$ (192)	\$ (1,272)	\$ 1,862	\$ 155,955
<u>48,821</u>	<u>24,237</u>	<u>134</u>	<u>930</u>	<u>7,260</u>	<u>9,501</u>	<u>373,292</u>

## Osage Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expend- itures	Intra- Fund Transfers	Balance End of Year
ELEMENTARY - LINCOLN					
Pop	\$ 1,188	\$ 286	\$ 606	\$ -	\$ 868
Special Projects	-	1,329	1,329	-	-
Totals	<u>\$ 1,188</u>	<u>\$ 1,615</u>	<u>\$ 1,935</u>	<u>\$ -</u>	<u>\$ 868</u>
ELEMENTARY - WASHINGTON					
Special Projects	\$ -	\$ 990	\$ 990	\$ -	\$ -
Pop	1,614	360	366	-	1,608
Totals	<u>\$ 1,614</u>	<u>\$ 1,350</u>	<u>\$ 1,356</u>	<u>\$ -</u>	<u>\$ 1,608</u>
MIDDLE SCHOOL					
Student Council	\$ 4,854	\$ 10,265	\$ 8,756	\$ -	\$ 6,363
Special Olympics	4,597	1,000	1,781	-	3,816
Family and Consumer Science Club	213	360	573	-	-
Totals	<u>\$ 9,664</u>	<u>\$ 11,625</u>	<u>\$ 11,110</u>	<u>\$ -</u>	<u>\$ 10,179</u>



Osage Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expend- itures	Intra- Fund Transfers	Balance End of Year
SENIOR HIGH					
S.A.D.D	\$ 311	\$ -	\$ 230	\$ -	\$ 81
Dramatics	47	3,335	771	-	2,611
Speech	617	300	221	-	696
Pop Machine	1,409	7,772	2,599	-	6,582
Project Prom	5,670	6,799	7,081	-	5,388
Band Trip	6,780	34,300	19,080	-	22,000
Chorus Trip	(312)	22,325	4,157	-	17,856
Bionics	1,082	-	1,082	-	-
Cheerleaders	1,619	14,783	10,630	-	5,772
Magazine Sales	-	20,076	20,076	-	-
Class of 2007	32	8,443	8,465	-	10
Class of 2008	468	-	296	-	172
Class of 2009	241	-	241	-	-
Class of 2010	78	2,677	2,755	-	-
FFA	1,409	87,508	88,595	-	322
Future Teachers	234	125	50	-	309
Boy Cross Country Camp	-	815	-	-	815
Annual	166	5,812	1,504	-	4,474
Spanish	924	9,751	5,081	-	5,594
Student Council	372	6,263	5,880	-	755
Boys Basketball Camp	(236)	7,465	5,632	-	1,597
Football Camp	135	7,472	3,591	-	4,016
Baseball Camp	2,036	668	1,638	-	1,066
Wrestling Camp	206	8,823	8,785	-	244
Girls Basketball Camp	2,926	3,390	3,417	-	2,899
Volleyball Camp	536	9,666	9,679	-	523
Softball Camp	560	7,871	7,606	-	825
Basketball - Boys	1,036	10,419	11,235	-	220
Football	1,073	11,140	10,559	-	1,654
Baseball	81	6,350	2,265	-	4,166
Track - Boys	30	3,625	3,595	-	60
Golf	11	604	483	-	132
Wrestling	1,352	11,255	12,338	-	269
Basketball - Girls	1,676	7,490	7,260	-	1,906
Volleyball	65	3,906	3,971	-	-
Concession Stand	-	41,866	41,866	-	-

Osage Community School District  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expend- itures	Intra- Fund Transfers	Balance End of Year
Track - Girls	\$ 23	\$ 4,165	\$ 4,188	\$ -	\$ -
Softball - Girls	233	4,329	3,819	-	743
Tennis	853	1,835	2,275	-	413
Booster Club	-	55,233	22,061	-	33,172
National Honor Society	40	-	40	-	-
Cross Country - Girls	32	283	210	-	105
Cross Country - Boys	34	1,959	1,993	-	-
Computer	16	971	744	-	243
Track Camp - Girls	190	3,603	3,793	-	-
Track Camp - Boys	93	1,692	1,541	-	244
Money From Pepsi	3,311	7,500	7,315	-	3,496
Football - ACT Ticket	173	3,078	1,529	-	1,722
Strengthen Our Future (Weight Room)	31,381	1,572	2,310	-	30,643
Activity Fund Accrued Interest	-	317	-	-	317
Total	<u>\$ 69,013</u>	<u>\$ 459,631</u>	<u>\$ 364,532</u>	<u>\$ -</u>	<u>\$ 164,112</u>
Grand Totals	<u><u>\$ 81,479</u></u>	<u><u>\$ 474,221</u></u>	<u><u>\$ 378,933</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 176,767</u></u>

See accompanying independent auditors' report.

## Osage Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund

Year ended June 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 11,362	\$ 52,295	\$ 54,007	\$ 9,650
Total assets	<u>\$ 11,362</u>	<u>\$ 52,295</u>	<u>\$ 54,007</u>	<u>\$ 9,650</u>
Liabilities				
Accounts payable	\$ 11,362	\$ 52,295	\$ 54,007	\$ 9,650
Total liabilities	<u>\$ 11,362</u>	<u>\$ 52,295</u>	<u>\$ 54,007</u>	<u>\$ 9,650</u>

See accompanying independent auditors' report.

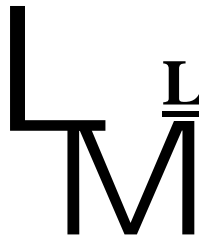
## Osage Community School District

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

Year ended June 30, 2006

	Modified Accrual Basis		
	2006	2005	2004
Revenues:			
Local sources:			
Local tax	\$ 3,329,036	\$ 3,128,088	\$ 3,130,230
Tuition	356,273	335,005	351,671
Other	805,274	790,760	640,956
Intermediate sources	60,393	61,346	62,442
State sources	4,236,604	4,126,057	3,776,755
Federal sources	276,208	166,592	177,334
Total	<u>\$ 9,063,788</u>	<u>\$ 8,607,848</u>	<u>\$ 8,139,388</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 3,247,202	\$ 3,062,556	\$ 3,224,960
Special instruction	1,166,899	1,114,163	1,236,387
Other instruction	1,296,333	1,194,772	913,930
Support services:			
Student services	277,336	282,087	250,492
Instructional staff services	294,270	312,190	303,819
Administration services	799,481	707,799	643,447
Operation and maintenance of plant services	631,683	544,878	522,112
Transportation services	469,451	291,496	288,899
Non-instructional programs	-	1,830	9,607
Other expenditures:			
Facilities acquisition	347,813	280,178	412,623
Long-term debt:			
Principal	130,000	125,000	115,000
Interest and other charges	37,493	44,079	49,558
AEA flowthrough	298,926	293,352	290,290
Total	<u>\$ 8,996,887</u>	<u>\$ 8,254,380</u>	<u>\$ 8,261,124</u>

See accompanying independent auditors' report.



# **LINES MURPHY & COMPANY, P.L.C.**

Certified Public Accountants

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Independent Auditors' Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Board of Education of  
Osage Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Osage Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 30, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Osage Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items II-A-06 and II-B-06 are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Osage Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Osage Community School District and other parties to whom Osage Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Osage Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Lines Murphy & Company, P.L.C.  
Osage, Iowa  
August 30, 2006

Osage Community School District

Schedule of Findings

Year ended June 30, 2006

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including two material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Osage Community School District

Schedule of Findings

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- II-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

- II-B-06 Disbursement Approval – The Board approved several disbursements after the actual disbursements were made.

Recommendation – The District should ensure that all expenditures are properly approved. For payments made in advance of Board meetings, the District should maintain documentation of the Board President's approval of claims for payment, such as the President's initials and date of approval. The District should also review the list of bills presented to the Board at regular meetings to ensure that all claims are included.

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having the Board President initial and date the claims.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.



Osage Community School District

Schedule of Findings

Year ended June 30, 2006

Other Findings Related To Statutory Reporting:

III-A-06 Certified Budget – Disbursements for the year ended June 30, 2006 did not exceed the amounts budgeted.

III-B-06 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-06 Business Transactions – No business transactions between the District and District officials or employees were noted.

III-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

III-F-06 Board Minutes – As previously noted, several transactions requiring Board approval were not approved by the Board prior to the actual disbursement.

Recommendation – All expenditures and transfers should be approved by the Board, with sufficient documentation maintained to evidence proper approval.

Response – All expenditures and transfers will be approved by the Board prior to payment and procedures have been revised to ensure this is adequately documented.

Conclusion – Response accepted.

III-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

III-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

III-I-06 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.

Osage Community School District

## Basic Financial Statements

## Required Supplementary Information

Osage Community School District

## Other Supplementary Information